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HOUSING AUTHORITY OF FERRIDAY, LOUISIANA
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

TWELVE MONTHS ENDED MARCH 31, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 09-13-00

MIKE ESTES, P.C.
A PROFESSIONAL ACCOUNTING CORPORATION

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HOUSING AUTHORITY OF THE TOWN OF FERRIDAY

SUMMARY OF AUDITOR'S RESULTS AND SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results

- A. We issued a qualified opinion on the Housing Authority of the Town of Ferriday, Louisiana for the audit of its financial statements for the year ended March 31, 2000.
- B. The financial statements are prepared on the Enterprise Method. See Auditor's Report and Note A.
- C. Five reportable conditions in internal control were disclosed by our audit over major programs. They are audit findings #4 - 8. All are the activities allowed or disallowed compliance requirement.
- D. We issued an adverse opinion on compliance for the CIAP and Low Rent major programs, for the program activities allowed or disallowed compliance requirement.
- E. Our audit disclosed eleven audit findings that we are required to report under 510(a) of OMB Circular A-133.
- F. Major programs are as follows, and see Schedule of Federal Expenditures for CFDA numbers and amounts:
 - 1. Low Income Housing
 - 2. CIAP
- G. The dollar threshold to distinguish Type A and Type B programs is \$300,000.
- H. The Housing Authority of the Town of Ferriday, Louisiana did not qualify for the year ended March 31, 2000 as a low-risk auditee.

Schedule of Findings and Questioned Costs

- I. There are three findings in these financial statements that are required to be reported in accordance with GAGAS.
- J. There are eleven audit findings and questioned costs for Federal awards which shall include audit findings as described in 510a of OMB Circular A-133. Questioned costs are \$39,077.30 per finding #7.

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MEMBER
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Independent Auditor's Report

Board of Commissioners
Housing Authority of the
Town of Ferriday
Ferriday, Louisiana

Regional Inspector General for Audi
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose financial statements of the Housing Authority of the Town of Ferriday, Louisiana at and for the year ended March 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Housing Authority of the Town of Ferriday, Louisiana's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain financial statements on the Community Housing Development Organization of Concordia Inc. (CHDC), a non-profit organization formed and controlled by Ferriday Housing Authority. Per Government Accounting Standards Bulletin #14, CDHC is a component unit of the Ferriday Housing Authority, and its financial information must be presented alongside the Authority's.

In our opinion, except for any effects that CDHC's additional financial information might add, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Ferriday, Louisiana as of March 31, 2000, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with generally accepted accounting principles.

As described in Note A to the financial statements, the PHA has changed from the Governmental Funds to the Enterprise Funds method for the year ended March 31, 2000.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 21, 2000 on our consideration of Housing Authority of the Town of Ferriday's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the Housing Authority of the Town of Ferriday, Louisiana taken as a whole. The accompanying Financial Data Schedule and other supplementary schedules are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information had been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

Mike Estes, P.C.

Fort Worth, Texas
August 21, 2000

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY
BALANCE SHEET - ENTERPRISE FUND
MARCH 31, 2000

LA 076

Assets

Current assets

Cash - Note B	\$ 19,458.00
Accounts receivable - tenants, net of allowance for bad debts, zero	127.00
Prepaid insurance	625.00
Total current assets	<u>20,210.00</u>

Fixed Assets

Land	97,620.00
Buildings	3,518,231.00
Furniture, equipment & machinery	143,096.00
	<u>3,758,947.00</u>

Less: Accumulated depreciation	<u>1,816,483.00</u>
Net fixed assets	<u>1,942,464.00</u>

Total assets	\$ <u><u>1,962,674.00</u></u>
---------------------	--------------------------------------

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF FERRIDAY
BALANCE SHEET - ENTERPRISE FUND BASIS
MARCH 31, 2000

LA 076

Liabilities

Current liabilities

Tenant's security deposits	\$ 8,700.00
Accounts payable - other	1,115.00
Accrued wages, compensated absences	<u>10,234.00</u>

Total current liabilities	<u>20,049.00</u>
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Fund equity

Total contributed capital	<u>1,942,464.00</u>
---------------------------	---------------------

Total contributed capital	<u>1,942,464.00</u>
----------------------------------	---------------------

Retained earnings - Exhibit B	<u>161.00</u>
-------------------------------	---------------

Total Net Assets	<u>1,942,625.00</u>
-------------------------	---------------------

Total Liabilities and Net Assets	<u><u>\$ 1,962,674.00</u></u>
---	-------------------------------

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - ENTERPRISE FUND
YEAR ENDED MARCH 31, 2000

LA 076

Revenues

Tenant revenue	\$ 106,115.00
HUD subsidy - Low Rent	65,233.00
HUD CIAP soft costs grant	30,685.00
Other revenue	25,081.00

Total Operating Revenue	227,114.00
--------------------------------	------------

Operating expenses

Administrative	85,691.00
Tenant services	17,448.00
Utilities	13,618.00
Maintenance	45,251.00
General expense	30,050.00
Depreciation	162,463.00
CIAP soft costs	30,685.00
Casualty losses	24,810.00

Total operating expenses	410,016.00
---------------------------------	------------

Net operating income	(182,902.00)
-----------------------------	--------------

Retained earnings, 3/31/99	59,132.00
----------------------------	-----------

Add: Prior year GAAP adjustments	123,931.00
----------------------------------	------------

Retained earnings, 3/31/00	\$ 161.00
-----------------------------------	-----------

Net HUD contribution, 3/31/99	3,705,522.00
-------------------------------	--------------

Current year addition and prior year adjustments	(1,763,058.00)
--	----------------

Net HUD contribution, 3/31/00	1,942,464.00
-------------------------------	--------------

Total Net Assets, 3/31/00 - Exhibit A	\$ 1,942,625.00
--	-----------------

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
YEAR ENDED MARCH 31, 2000

LA 076

Cash flows from operating activities:

Tenant revenue	\$ 106,115.00
Operating subsidies	95,918.00
Other operating revenue	25,081.00
Operating expenses	<u>(410,016.00)</u>
Net cash (used) in operating activities	<u>(182,902.00)</u>

Cash flows from capital and related financing activities

HUD CIAP hard cost advances	219,528.00
Equipment and CIAP additions	<u>(198,177.00)</u>
Net cash provided (required) by capital and financing activities	<u>21,351.00</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY
 STATEMENT OF CASH FLOWS - ENTERPRISE FUND (continued)
 YEAR ENDED MARCH 31, 2000

LA 076

Adjustments

Depreciation	162,463.00
NET HUD - REAC adjustments - noncash	4,198.00
Changes in assets and liabilities:	
Decrease in accounts receivable	\$ 1,486.00
Increase in prepaid insurance	(625.00)
Increase in accrued wages	10,234.00
Increase in security deposits	8,700.00
Decrease in accounts payable	(8,026.00)
Total adjustments	<u>178,430.00</u>
Change in cash and equivalents	16,879.00
Cash and equivalents beginning of year	<u>2,579.00</u>
Cash and equivalents end of year - Exhibit A	<u>\$ 19,458.00</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY
COMPARISON OF ACTUAL HUD REVENUE AND
EXPENSES TO HUD BUDGETED
YEAR ENDED MARCH 31, 2000

LA 076

	HUD <u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Revenues			
Tenant revenue	\$ 66,833.00	\$ 106,115.00	\$ 39,282.00
HUD subsidy - Low Rent	65,233.00	65,233.00	0.00
HUD CIAP soft costs grant	30,685.00	30,685.00	0.00
Interest income	1,450.00	0.00	(1,450.00)
Other revenue	20,412.00	25,081.00	4,669.00
	<u>184,613.00</u>	<u>227,114.00</u>	<u>42,501.00</u>
Total operating revenue			
Operating expenses			
Administration	82,783.00	85,691.00	2,908.00
Tenant services	9,696.00	17,448.00	7,752.00
Utilities	9,991.00	13,618.00	3,627.00
Maintenance	54,924.00	45,251.00	(9,673.00)
General expense	26,433.00	30,050.00	3,617.00
Depreciation	0.00	162,463.00	162,463.00
CIAP soft costs	30,685.00	30,685.00	0.00
Casualty losses	15,538.00	24,810.00	9,272.00
	<u>\$ 230,050.00</u>	<u>\$ 410,016.00</u>	<u>\$ 179,966.00</u>
Total operating expenses			
Excess (deficient) revenues	(45,437.00)	(182,902.00)	(137,465.00)
Add:			
Depreciation - not budgeted by HUD	0.00	162,463.00	162,463.00
Deduct:			
Capital expenditures - budgeted by HUD	<u>(800.00)</u>	<u>0.00</u>	<u>800.00</u>
Excess (deficiency) of budgeted revenues over expenses	<u>\$ (46,237.00)</u>	<u>\$ (20,439.00)</u>	<u>\$ 25,798.00</u>

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE

The Housing Authority of Ferriday, Louisiana (the Authority), a public corporate body, was organized for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the Town of Ferriday, Louisiana. Each member serves a five-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities and housing assistance payments for eligible individuals.

(1) Financial Reporting Entity

Generally accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any, would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of March 31, 2000, and for the fiscal then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

HOUSING AUTHORITY OF THE CITY OF FERRIDAY

NOTES TO FINANCIAL STATEMENTS

(continued)

MARCH 31, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(2) Change in Accounting Principle

For the year ended March 31, 2000, the PHA has changed from the Government Funds Method to the Enterprise Method. This change was strongly recommended by the Real Estate Assessment Center (REAC) of The Department of Housing and Urban Development.

The Enterprise Funds Method accounts for operations in a manner similar to a private business. Under this method, all assets, including fixed assets, and all liabilities are in one fund, and one financial statement.

The Enterprise Fund recognizes revenues and expenses on the full accrual basis. Revenues are recognized when earned and become measurable. Expenses are recognized in the period incurred, if measurable. In the prior method used, the Governmental Funds Method, the modified accrual method was necessary.

Depreciation expense must be recognized for the Enterprise Fund. Under the Governmental Funds Method, depreciation was optional and the PHA elected not to recognize it.

The PHA elected to close depreciation on contributed assets to contributed capital. Using this "addback" option, the full amount of depreciation is still reported on the income statement, and reduces the net income reported.

REAC suggests that soft costs from development and modernization be deleted from fixed assets and charged to HUD Capital Contributions.

REAC also allows PHA's to reclassify outstanding debt owed to HUD to Contributed Capital.

HOUSING AUTHORITY OF THE CITY OF FERRIDAY

NOTES TO FINANCIAL STATEMENTS

(continued)

MARCH 31, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(3) Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program and the Section 8 Programs. Annual budgets are not required for CIAP grants as their budgets are approved for the length of the project.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation. The budget does reflect furniture and equipment additions from operations.

(4) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, and demand deposits.

HOUSING AUTHORITY OF THE CITY OF FERRIDAY

NOTES TO FINANCIAL STATEMENTS

(continued)

MARCH 31, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES AND CHANGE OF ACCOUNTING PRINCIPLE (continued)

(5) Tenant Receivables

Receivables for rentals and service charges are reported in the General Fund, net of allowances for doubtful accounts.

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at March 31, 2000. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized, uninsured and unregistered, but with securities held by the bank, its trust department, or its agent, pledged to the PHA, but not in the PHA's name.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY

NOTES TO FINANCIAL STATEMENTS

(continued)

MARCH 31, 2000

NOTE B - CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposits, categorized by level of risk, (at cost, which approximates market) are:

Total Bank Balances	Category		
	1	2	3
\$ <u>19,458</u>	\$ <u>19,458</u>	\$ <u></u>	\$ <u></u>

NOTE C - ACTIVITIES OF THE PHA

At March 31, 2000, the PHA was managing 67 units of low-rent in one project under Program FW-2145.

NOTE D - CONTINGENCIES

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

HOUSING AUTHORITY OF THE CITY OF FERRIDAY

NOTES TO FINANCIAL STATEMENTS

(continued)

MARCH 31, 2000

NOTE E - FIXED ASSETS

As noted in Note A, soft costs formerly capitalized have been written off and fixed assets are now depreciated on the straight-line method over their estimated useful lives as

Site improvements	15 Years
Buildings	33 Years
Buildings improvements	15 Years
Nondwelling structures	15 Years
Equipment	3 to 7 Years

	03/31/00 Cost	03/31/99 Accumulated Depreciation	Current Depreciation	03/31/00 Accumulated Depreciation
Land	\$ 97,620			
Buildings and Improvements	3,518,231	1,565,122	142,795	1,707,917
Equipment	143,096	88,898	19,668	108,566
	<u>\$ 3,758,947</u>	<u>1,654,020</u>	<u>162,463</u>	<u>1,816,483</u>

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

NOTE F - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

HOUSING AUTHORITY OF THE CITY OF FERRIDAY

NOTES TO FINANCIAL STATEMENTS

(continued)

MARCH 31, 2000

NOTE G - ACCOUNTING FOR THE IMPAIRMENT OF LONG - LIVED ASSETS

The full amount of the carrying value of buildings and land improvements are deemed recoverable from future cash flows.

NOTE H - USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE I - COMPENSATED ABSENCES

Employees earn annual leave based upon years of service, and may accrue up to 300 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued vacation time is paid. At 3/31/00 the PHA had a liability of \$10,234.00. Of the aforementioned amount, \$7,505.00 pertained to the prior year. Only the \$2,729.00 increase is recognized as a current year expense in these financial statements.

NOTE J - FUND EQUITY AND RETAINED EARNINGS

As a result of changing from the HUD statutory method of accounting to the enterprise fund-type of proprietary accounting, 3/31/99 fund equity and 3/31/99 retained earnings has been restated by various prior period adjustments.

NOTE K - SUBSEQUENT EVENTS

The PHA performed an unauthorized borrowing of funds and unauthorized pledging of collateral in June 2000. See Finding #6.

HOUSING AUTHORITY OF THE CITY OF FERRIDAY

NOTES TO FINANCIAL STATEMENTS

(continued)

MARCH 31, 2000

NOTE L- CONTINGENCIES - GOING CONCERN

At 9/1/00 the PHA had approximately \$1,000 of operating cash. The PHA's monthly rent collections approximates \$10,000. The operating subsidy payment of \$6,368 will not be collected until October. The CIAP operations draw-down will not be available until October or November.

A \$10,000 C.D. is pledged against a note payable (See audit finding #6). Its unclear whether this C.D. can be used to meet operations.

Management (the PHA's Executive Director) believes the future monthly expenses can be met. The Executive Director claims he is cutting expenses. The ability of the PHA to continue as a going concern depends largely on whether expenses have been reduced. The financial statements do not include any adjustments that might be necessary if the PHA is unable to continue as a going concern.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST

ANNUAL CONTRIBUTION CONTRACT

LA 076

1. The Actual Modernization Costs are as follows:

	1998 CIAP
Funds Approved	\$ 296,202.00
Funds Expended	<u>296,202.00</u>
Excess of Funds Approved	<u>0.00</u>
Funds Advanced	\$ 296,202.00
Funds Expended	<u>296,202.00</u>
Excess of Funds Advanced	<u>0.00</u>

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs dated September 22, 1999 accompanying the Actual Modernization Costs Certificates submitted to HUD for approval is in agreement with the PHA's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

LA 076

CASH BASIS

	<u>1999 CIAP</u>
Funds Approved	\$ 130,213.00
Funds Expended	<u>130,213.00</u>
Excess of Funds Approved	<u><u>0.00</u></u>
 Funds Advanced	 \$ 130,213.00
Funds Expended	<u>130,213.00</u>
Excess of Funds Advanced	\$ <u><u>0.00</u></u>

Note: May be revised. See Audit Finding # 7.

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY
 ANALYSIS OF GENERAL FUND CASH BALANCE
 ANNUAL CONTRIBUTION CONTRACT
LA 076

Composition Before Adjustments

Net operating receipts retained:

Retained earnings - Exhibit B

\$		161.00	
		161.00	

Adjustments

Expenses/costs not paid:

Current liabilities

		20,049.00	
--	--	-----------	--

Income not received:

Accounts receivable

		(127.00)	
		(127.00)	

General Fund Cash Available

		20,083.00	
--	--	-----------	--

General Fund Cash:

Applied to deferred charges

(prepaid insurance, inventories, etc.)

		(625.00)	
		(625.00)	

General Fund Cash - Exhibit A

		19,458.00	
		19,458.00	

The Notes to Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2000

FEDERAL GRANTOR PROGRAM TITLE:	CDFA NO.	PROGRAM EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Programs:		
Low-Income Housing		
Operating Subsidy	14.850	65,233.00
Major Program Total		<u>65,233.00</u>
Comprehensive		
Improvement		
Assistance Program	14.852	250,213.00
Major Program Total		<u>250,213.00</u>
Total HUD		\$ <u><u>315,446.00</u></u>

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Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Housing Authority of the
Town of Ferriday
Ferriday, Louisiana

We have audited the compliance of the Housing Authority of the Town of Ferriday, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2000. The Housing Authority of the Town of Ferriday, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the Town of Ferriday, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of the Town of Ferriday, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the Town of Ferriday, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of the Town of Ferriday, Louisiana's compliance with those requirements.

As disclosed in Audit Findings #'s 4 - 8, in the accompanying schedule of *Findings and Questioned costs*, the Ferriday Housing Authority did not comply with compliance requirements regarding activities allowed and disallowed that are applicable to CIAP - Finding #4, and Low Income, Findings #5 - 8. Compliance with such requirements is necessary, in my opinion, for Ferriday Housing Authority to comply with requirements applicable to those programs.

In our opinion, because of the effects of such noncompliance, described on the preceeding paragraph, the Housing Authority of the Town of Ferriday, Louisiana did not comply, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2000.

Internal Control Over Compliance

The management of The Housing Authority of the Town of Ferriday, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of the Town of Ferriday, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. *Reportable conditions* involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying *Schedule of Findings and Questioned Costs* as items 4 through 8. Immaterial instances of A133 non-compliance were noted in audit findings 1 - 3 and 9 - 10.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, of the reportable conditions noted above as audit findings 4 - 8, all are considered to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P.C.

Fort Worth, Texas
August 21, 2000

The Notes to Financial Statements are an integral part of these statements.

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Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Governmental Auditing Standards

Housing Authority of the
Town of Ferriday
Ferriday, Louisiana

We have audited the financial statements of the Housing Authority of the Town of Ferriday, Louisiana as of and for the year ended March 31, 2000, and have issued our report thereon dated August 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, and provisions of the Louisiana Governmental Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Ferriday, Louisiana's financial statements fare free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. As described in Audit Findings #'s 4 - 8, in the accompanying schedule of Findings and Questioned costs, the Ferriday Housing Authority did not comply with laws and regulations. The results of our tests also disclosed instances of immaterial noncompliance that are required to be reported under *Governmental Auditing Standards*. They are Audit findings #12 - 14.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the Town of Ferriday, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted certain matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. They are audit findings 4 - 8.

This report is intended for the information of the audit committee, a management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is limited.

Mike Estes, P. C.

Fort Worth, Texas
August 21, 2000

The Notes to Financial Statements are an integral part of these statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

Prior Audit Findings and Questioned Costs

The prior audit report contained four audit findings. One of them was that the PHA had a 3/31/99 deficit balance. This finding is cleared, but the 3/31/00 retained earnings only has a balance of \$161.00.

The other three prior audit findings are reported as the first three current audit findings.

Current Audit FindingsIncorrect PFS Calculation

- 1) The PFS Operating Subsidy Calculation, HUD-52723, for the year ended 3/31/00, shows the 1/99 rent roll on line 12 as \$4,950. The actual amount per the 1/99 rent roll was \$7,678.

Last year it was also misstated - listed on HUD-52723 - \$5,200, actual - \$7,960.

Recommendation

The PHA needs to double check all figures for PFS calculations. This was emphasized last year also.

Reply

We will comply with the above.

Budget Overruns

- 2) Several expense categories were overrun, per page 9, which is per the Financial Data Schedule Grouping. Per the HUD-52599, the following overruns occurred:

	Budget	Actual
Total Administrative Expense	\$ 70,810	\$ 73,718
Tenant Services	8,500	16,251
Total General Expense	46,390	50,007
Total Routine Expense	183,830	192,059

Administrative expenses were in part overrun by a \$6,184.50 payment to Perry, Pyron & McCoun Consultants, Inc for a "Phase II environmental site assessment". This assessment was made on some abandoned railroad property the PHA owns (see audit finding #5).

Approval from HUD should have been obtained before this assessment was done, given the current budget situation.

Total routine (and tenant) expenses were in part overrun by a \$6,500 payment to the Concordia Parish School District for a summer 1999 remedial math and reading program for students living in the PHA, grades 3-8.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

Budget Overruns (continued)

While this is a laudable program goal, it appears the PHA could not afford it. I emphasized last year to the Executive Director the importance of keeping actual expenses within budgeted amounts.

Recommendation

The Executive Director should, as soon as possible, review all reoccurring monthly payments. The Executive Director should review this analysis as soon as possible with the Board of Commissioners. Hopefully, the Board will be active, and ask good questions. Detailed minutes of the meeting should be available for third party review.

Reply

I will discuss this with the Board.

Security Deposits Not Segregated

3) At the prior audit, the PHA did not have cash or investments equal to the security deposits liability.

At 3/31/00, the PHA has cash and investments in excess of the security deposits liability. But, the security deposits amount is still not segregated in a separate account.

Recommendation

At 3/31/00 the PHA has a \$10,000 Certificate of Deposit. The next time this Deposit matures, a smaller certificate of Deposit should be designated as "Security Deposit C.D.", equal to or in excess of the liability.

Reply

We will comply with the above.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

The next five audit findings, #'s 4 - 8, are considered reportable conditions and material weaknesses and material non-compliance as follows:

Criteria: Compliance with regulatory authority.

Cause: Absence of appropriate review by management to be in compliance with federal law for legal and allowable transactions.

Possible

Effect: Purchase of disallowed property, unauthorized borrowing, inadequate accounting, and possible disallowed distributions. The ability to continue as a going concern has been jeopardized.

CIAP Budget/Progress Report, HUD-52825 Not Revised

- 4) In January 1998 the PHA purchased a commercial property in Ferriday, 214 Mickey Gilley Ave., for \$32,500. In 1997, the PHA purchased a residential property in Ferriday, 119 Southside, for \$17,500. Both were charged to the 1997 CIAP.

The PHA listed these properties for the fee accountant this year in preparation of the depreciation schedule for the Enterprise Fund method.

We understand from a discussion with a HUD representative, these properties could have possibly been appropriately purchased from the CIAP account category 1406, Operations.

But, there was no budget category 1406 in the 1997 CIAP. The finding is this: Approval was not sought in advance from HUD via a budget revision before the properties were purchased, per 24 CFR Section 968.225. The budget was also not subsequently revised.

Per the E.D., the Mickey Gilley property was originally going to be used for tenant services and also to generate revenue. The Executive Director claims the 119 Southside was offered at a good price, and this was a good investment (see next finding for discussion of rents). Titles or Deeds of Trust are in the name of the Ferriday Housing Authority.

This is considered an A133 reportable condition, a material weakness, and a material noncompliance for the activities allowed and disallowed compliance requirement.

Recommendation

The Executive Director should discuss with the PHA's Management Specialist and any other HUD personnel whether a 1997 budget revision is necessary at this time. HUD will probably discuss this with the PHA in detail.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

CIAP Budget/Progress Report, HUD-52825 Not Revised (continued)

Reply

At seminars I hear it is a new day for HUD. That we have to think of new ways to generate income. Both of these properties do that. They have increased in value. The Mickey Gilley place has been declared a Designated Historical site by the state.

HUD tells us we must help our residents, but doesn't give us money to do it. The PHA still hopes to provide a day care center at the Mickey Gilley place, and maybe lease part of it to a "One Stop" employment and training center.

Ineligible Assignment of Rental Income

- 5) The Ferriday Housing Authority formed a 501 c(3) non-stock corporation in late 1998, the Community Housing Development Organization of Concordia (CHDC).

The 119 Southside property mentioned in the previous audit finding is rented under a Section 8 contract. The Concordia Parish Police Jury is the administrator. The total monthly payment is \$285.

214 Mickey Gilley Avenue property has three suites. One was rented for \$300 to the Louisiana Gas Services Company, a division of the Louisiana Gas Service Company, throughout the audit year. One unit was being re-habbed and subsequent to the year end is rented for \$250 as a beauty shop. The third suite is a medium-sized banquet room. Its free use to residents, \$100 charged to non-residents, with a \$50 cleaning deposit.

The PHA also owns a house trailer (cost \$5,500) at 702 7th street that sits on 7.5 acres of abandoned railroad property the PHA purchased for \$7,950 (We reviewed the titles to these properties). This property also is a Section 8 unit, rented for approximately \$300 per month. The Concordia Police Jury is the administrator.

We traced the monthly receipt of 12 payments on all these properties to collection. But the receipts were not deposited into the PHA. Instead, they were deposited directly into the Community Housing Development Corporation, noted in the first paragraph.

The Executive Director states that he knew he was overrunning his tenant services budget on Low Rent. By depositing rental receipts into the CHDC, the non-profit could expend funds for tenant services, and limit the overrun on the Low Rent for tenant services.

The PHA did not disclose the relationship in prior years between the Ferriday Housing Authority and the CHDC. This year, we were unsuccessful in tracing the rental collections of the rental properties 214 Mickey Gilley, 119 Southside, and 702 7th Street to deposits on the PHA's books. After inquiry, the PHA admitted the relationship between the PHA and CHDC.

This is considered an A133 reportable condition, material weakness, and material noncompliance for the activities allowed and disallowed compliance requirement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

Ineligible Assignment of Rental Income (continued)

Recommendation

The PHA cannot assign income. The leases are between the renters and the Ferriday Housing Authority. The rental receipts must be deposited directly into the PHA.

Reply

If we are supposed to deposit the rent into the PHA instead of the non-profit, we will.

Unauthorized Borrowing of Funds

- 6) Subsequent to the audit year-end, in June 2000, the PHA borrowed \$20,000 from the Louisiana Central Bank to improve 214 Mickey Gilley Avenue, and to acquire a parcel of land adjacent to the above address. Per the cash sale deed, \$5,000 was paid for the parcel. The owner is Ferriday Housing Authority.

\$15,000 was deposited into the operating account in June 2000. To repay the loan, \$555.67 is automatically deducted (started in July) from the operating account for 48 months. The PHA planned to transfer \$555.67 into the operating account monthly to cover the note payment, from the CHDC.

A June 2, 2000 Board resolution authorized the board to pledge as collateral: a \$10,000 Certificate of Deposit, 7.5 acres of raw land that was abandoned railroad property, 119 Southside Drive, the house trailer at 702 7th Street, and 214 Mickey Gilley Avenue.

The audit finding is this: The PHA's borrowing was unauthorized, and violated the Annual Contribution Contract. The collateral pledging was also unauthorized.

This is considered an A133 reportable condition, material weakness, and material noncompliance for the activities allowed and disallowed compliance requirement.

Recommendation

Terms of the ACC should not be violated. HUD will probably discuss this in detail with the PHA.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

Unauthorized Borrowing of Funds (Continued)

Reply

As I said earlier, HUD encourages us to think of new easy ways to make money. The PHA borrowed the \$20,000 to improve its income producing property. The adjacent parcel of land was purchased because we hope to set up a day care center at 214 Mickey Gilley. We needed the land to be big enough to meet day care regulations.

I also thought I was on solid ground with the State law. Act Number 1188 allows housing authorities to borrow money, as long as the board authorizes the borrowing by resolution. I got board approval.

PHA Payments to Component Unit Organization Not Adequately Substantiated, Misclassified

7) As noted previously, the Ferriday Housing Authority formed a 501 c(3) non-stock corporation in 1998, The Community Housing Development of Concordia Inc.

According to the Ferriday ED, the CHDC does not have a formal accounting like a general ledger or financial statements. According to the ED, the cash received exists of the rent it collects as previously noted, and for other billings to the PHA. According to the ED, its payments are principally for CIAP construction, make ready of vacant units when the PHA's one maintenance employee does not have time, and one bookkeeper, who works in the PHA office. The ED claims he draws no salary from the CHDC but he is reimbursed for travel costs.

A majority of the PHA Board of Commissioners serve as a majority of the Board of Directors of the CHDC. The Ferriday ED is the President of the CHDC. The PHA provides the financial benefits of the CHDC.

Thus, according to Government Accounting Standards Bulletin (GASB) #14, the financial data of the Community Housing Development Corporation must be shown alongside that of the PHA.

This year's opinion on the financial statements is qualified since the financial information of the CHDC is not available.

For the audit year, the PHA paid the CHDC \$84,659.30. \$230.76 was coded to CIAP - Management Improvements, \$3,300.00 - 1999 CIAP, Non-dwelling structures, \$42,010.26 1999 CIAP, Dwelling structures, account 4420, Materials - \$7,479.00, and account 4430, Contract costs - \$31,639.28.

CHDC billed the PHA from 16 invoices total. Invoice descriptions are vague such as "services rendered 7/11-7/18 - \$11,000", and "Unit turnaround #'s 129, 137, 154 and 103 - \$9,000".

I asked for additional support for these charges. CHDC's bookkeeper has listed by check number, payee and amount, \$45,582.00 of disbursements from CHDC that supposedly was for services to Ferriday Housing Authority. That list has been agreed to copies of cancelled checks of the CHDC account.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

PHA Payments to Component Unit Organization Not Adequately Substantiated. Misclassified
(Continued)

The audit finding is this: Documentation for billings to Ferriday Housing Authority are not adequate.

We have discussed at length the type of work performed and billed by the CHDC with the Executive director, with the Assistant Director, and the CHDC's bookkeeper, all one on one. All gave reasonable consistent explanations of the work performed.

A U.S. Army Corp of Engineer monitored the 1999 CIAP physical construction progress in February 2000, and found no problem. HUD-REAC graded the PHA an 86 on its overall physical assessment. The property looks in excellent shape, one of the best we have seen.

This is considered an A133 reportable condition, material weakness, and material noncompliance for the activities allowed and disallowed compliance requirement.

Questioned Costs

\$39,077.30 (\$84,659.30 - 45,582.00)

Recommendation

Adequate documentation should be available.

Reply

We will start keeping a general ledger for the current fiscal year, which started April 1, 2000. We will try to support the prior invoices adequately.

Unsupported Expense By Component Unit

(Qualified Opinion on Non-Reporting of Component Unit)

- 8) As noted in the prior audit finding, the component unit, the CHDC does not have a formal accounting, like a general ledger or financial statements. However, I obtained copies of the CHDC's bank statements for 13 months - April 1999 through April 2000.

For the year ended 3/31/00, \$30,263 of payments to the Ferriday Housing Authority's Executive Director and President of the CHDC, Charles Bell were made. Notations on cancelled checks are "expenses" or "travel". A request has been made for documentation for these expenses.

The only thing I have received is a CHDC Board resolution, dated 12/3/97 that states: "...the Board of Directors agree to compensate the Director a monthly expense not to exceed \$1,500 a month", ... the corporation will pay registration fees, out of state travel or other expenses that the Board of Directors deem appropriate."

The Executive Director (and President of CHDC) claims the principal thing he did to earn this money was to supervise the CIAP and maintenance work of CHDC. A general contractor was not used.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

Unsupported Expense By Component Unit

(Qualified Opinion on Non-Reporting of Component Unit) (Continued)

This is considered an A133 reportable condition, material weakness, and material noncompliance for the activities allowed and disallowed compliance requirement.

Recommendation

The CHDC Board should stop these payments immediately, until Federal and State authorities review this. Since the CHDC's primary (if not only) revenue source is public funds from the PHA, payments to the ED that are not documented, necessary travel expenses may be unauthorized and disallowed distributions, regardless of CHDC board approval.

For IRS purposes, any excess of the annual amount paid the ED (President of CHDC) over the documented submitted detail of expense should be added to Mr. Bell's W-2. This needs to be done for year 2000.

Reply

The auditor just asked me for the items in this finding. He's not giving me time to get it to him. I don't take a salary from the CHDC. The board approves by resolution that I get an expense allowance. The auditor explained to me that if I cannot prove it is all expenses, then it is really salary and has to have payroll taxes. If that's the case, I will pay the taxes.

Community Room Usage And Cleaning Fees Not Documented

- 9) As noted in Audit Finding #5, a suite at 214 Mickey Gilley is used for community functions. For non-residents, \$100 is charged, with a \$50 cleaning deposit.

Approximate ten times of usage were noted on a calendar by a PHA employee for the fiscal year. It is not clear from the entries whether fees were charged. Per the employee, deposits were not made. Fees were deposited in a cash box and used for petty cash disbursements.

Recommendation

The PHA should keep a detailed diary of cleaning and usage fees. Two PHA employees should sign the memo for each usage. Bank deposits should be promptly made.

Reply

We will comply with the above.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

Utility Allowance Schedule - Need Review

- 10) The utility allowance schedule has not been updated for at least two years. There is no documentation of annual review.

Recommendation

The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10% or more in any category since the last time the utility allowance schedule was revised.

Reply

We will comply with the above.

Rent Paid by Tenant Less Than Required Amount

- 11) HUD Public Occupancy Handbook Directive Number 7465.1 Rev-2 Chg.-2, Chapter 6, 6-3 a(2) says that "PHA's may charge employees who are required to live in public housing as a condition of their jobs some reasonable rent".

One PHA employee lives in a public housing unit for \$100 a month. It is not clear whether this is a condition of her employment.

A local policeman lives in the Authority. The policeman performs the duties of a part-time security person for the Authority. No rent is charged, in lieu of compensation paid to the policeman.

Recommendation

The Board needs to decide whether the employee needs to live on public housing as a condition of her employment. The reasons should be genuine. A board resolution should be passed to that effect. If the Board decides this is not a condition of her employment, her rent should be recalculated.

Regarding the policeman in his role as a PHA security person, the PHA evidently has not submitted a plan to HUD, per 24CFR 960.407, Subpart E. This plan must be approved by HUD. If approved, it allows the PHA to charge a reasonable rent.

The PHA also needs to gain clarification if in lieu of paying the security person compensation, whether a zero rent may be charged, instead of reasonable rent.

Reply

We will comply with the above.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

Lack of Documentation of Annual Salary Expense

- 12) The Executive Director and the Board entered into an amendment of the ED's employment contract on 11/10/97. The amendment states "the Executive Director shall receive an annual expense in the amount of \$6,000.00". \$500 is paid monthly.

The Executive Director is not currently submitting expense detail to the PHA. For IRS purposes, any excess of the \$6,000.00 over the documented submitted detail of expense should be added to an employee's W-2, and the difference is subject to payroll taxes.

Recommendation

The Executive Director needs to turn his expense detail covered by his \$6,000.000 in time for the year 2000 W-2 to be prepared. Preferably, this will be done monthly. Any excess should be added to the ED's W-2. This is an annual requirement. Any personal portion of the ED's usage of the PHA's lease vehicle should be tracked and also added to the W-2.

Reply

I will comply with the above.

Better Documentation of Travels and Small Purchases Needed

- 13) The Authority uses an American Express card. Travel, supplies and backhoe rental are periodically charged. All employees purchase supplies at Wal-Mart. Documentation needs to improve.

Recommendation

The PHA needs to add a detailed explanation besides each charge card entry. For example, on Wal-Mart, 1/28/00, it says James Humphry (maintenance man) \$92.84. On travel, the reason for the business trip should be listed on the monthly statement, for each entry.

The PHA uses purchase orders and work orders. With some work, a third party can almost always determine the nature of travel. But, the monthly statement from Wal-Mart and American Express should have explanations on all lines. I am sending an excellent one page expense summary used by many PHA's to Ferriday to help them further document travel.

Reply

I will comply with the above.

HOUSING AUTHORITY OF THE TOWN OF FERRIDAY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2000

Gifts to Employees - Unauthorized

14) \$190.46 was charged 12/22/99 for Christmas gifts to employees and five Delta Service workers assisting the PHA. This was corroborated by both of Ferriday's two current female workers. This is an unauthorized use of public funds.

Recommendation

Gifts from public funds should not be made.

Reply

I will not do this anymore. I will reimburse the Authority if it is necessary.